

BERKELEY UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

MEASURE A of 2006

“Berkeley Schools Excellence Program”

JUNE 30, 2008



Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants



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VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Berkeley Unified School District

We have audited the accompanying balance sheets of the Measure A of 2006, also referred to as "Berkeley Schools Excellence Program (Measure A of 2006)" (the Fund), of the Berkeley Unified School District, as of June 30, 2008, and the related statements of revenues, expenditures and changes in fund balances for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present the financial activity of the Fund only, and do not purport to, and do not, present the financial position and results of operations of the Berkeley Unified School District as a whole, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2008, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
March 25, 2009

**BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE A OF 2006 FUND
BALANCE SHEET
JUNE 30, 2008**

	Class Size Reduction RESC 0841	School Discretionary Funds RESC 0852	Visual & Performing Arts Programs RESC 0853	Public Information Planning & Oversight Committee RESC 0854
Deposits and investments	\$ 6,962,963	\$ 504,586	\$ 517,411	\$ 78,415
Accounts receivable	686,400	107,588	65,000	-
Due from other funds	-	6,789	-	-
Total assets	<u>\$ 7,649,363</u>	<u>\$ 618,963</u>	<u>\$ 582,411</u>	<u>\$ 78,415</u>
Accounts payable	\$ 26,240	\$ 165,820	\$ 49,872	\$ 3,650
Due to other funds	5,001,629	136,863	108,398	-
Total liabilities	<u>5,027,869</u>	<u>302,683</u>	<u>158,270</u>	<u>3,650</u>
Fund Balance	<u>2,621,494</u>	<u>316,280</u>	<u>424,141</u>	<u>74,765</u>
Total liabilities and fund balance	<u>\$ 7,649,363</u>	<u>\$ 618,963</u>	<u>\$ 582,411</u>	<u>\$ 78,415</u>

	Professional Development, Educational Program Evaluation & Technology for Schools RESC 0855/856/862	Parents Outreach & Translation Services RESC 0857	School Libraries RESC 0860	Total Measure A of 2006
Deposits and investments	\$ 378,258	\$ 62,964	\$ 292,139	\$ 8,796,736
Accounts receivable	93,600	13,000	75,400	1,040,988
Due from other funds	-	-	-	6,789
Total assets	<u>\$ 471,858</u>	<u>\$ 75,964</u>	<u>\$ 367,539</u>	<u>\$ 9,844,513</u>
Accounts payable	\$ 141,637	\$ 1,044	\$ 96,737	\$ 485,000
Due to other funds	108,363	12,932	90,637	5,458,822
Total liabilities	<u>250,000</u>	<u>13,976</u>	<u>187,374</u>	<u>5,943,822</u>
Fund Balance	<u>221,858</u>	<u>61,988</u>	<u>180,165</u>	<u>3,900,691</u>
Total liabilities and fund balance	<u>\$ 471,858</u>	<u>\$ 75,964</u>	<u>\$ 367,539</u>	<u>\$ 9,844,513</u>

The accompanying notes are an integral part of these financial statements.

**BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE A OF 2006 FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008**

	Class Size Reduction RESC 0841	School Discretionary Funds RESC 0852	Visual & Performing Arts Programs RESC 0853	Public Information Planning & Oversight Committee RESC 0854
Revenues:				
Parcel tax	\$ 13,623,652	\$ 2,053,449	\$ 1,252,103	\$ 387,625
Interest	100,034	15,536	9,473	-
Transfers to the District	(9,814,024)	-	(51,497)	-
Total revenues	<u>3,909,662</u>	<u>2,068,985</u>	<u>1,210,079</u>	<u>387,625</u>
Expenditures:				
Certificated salaries	132,137	335,040	322,770	-
Classified salaries	-	543,559	57,031	207,786
Employee benefits	39,142	303,740	112,713	91,088
Books and supplies	-	226,022	78,547	2,772
Services and other	401,447	224,870	157,976	11,214
Other	715,442	119,474	56,901	-
Total expenditures	<u>1,288,168</u>	<u>1,752,705</u>	<u>785,938</u>	<u>312,860</u>
Excess of revenues				
Over (under) expenditures	2,621,494	316,280	424,141	74,765
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ 2,621,494</u>	<u>\$ 316,280</u>	<u>\$ 424,141</u>	<u>\$ 74,765</u>

	Professional Development, Educational Program Evaluation & Technology for Schools RESC 0855/856/862	Parents Outreach & Translation Services RESC 0857	School Libraries RESC 0860	Total Measure A of 2006
Revenues:				
Parcel tax	\$ 1,803,027	\$ 250,421	\$ 1,452,439	\$ 20,822,716
Interest	13,642	1,895	10,989	151,569
Transfers to the District	-	-	-	(9,865,521)
Total revenues	<u>1,816,669</u>	<u>252,316</u>	<u>1,463,428</u>	<u>11,108,764</u>
Expenditures:				
Certificated salaries	579,732	1,076	431,302	1,802,057
Classified salaries	354,997	114,774	411,085	1,689,232
Employee benefits	330,134	49,645	337,137	1,263,599
Books and supplies	113,301	1,559	809	423,010
Services and other	108,284	10,342	15,737	929,870
Other	108,363	12,932	87,193	1,100,305
Total expenditures	<u>1,594,811</u>	<u>190,328</u>	<u>1,283,263</u>	<u>7,208,073</u>
Excess of revenues				
Over (under) expenditures	221,858	61,988	180,165	3,900,691
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ 221,858</u>	<u>\$ 61,988</u>	<u>\$ 180,165</u>	<u>\$ 3,900,691</u>

The accompanying notes are an integral part of these financial statements.

**BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE A OF 2006 FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Measure A of 2006 Fund (the Fund) of the Berkeley Unified School District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Financial Reporting Entity

The financial statements include the financial activity of the Measure A of 2006 Fund only. The Fund was established to account for the revenues and expenditures of Measure A of 2006. These financial statements are not intended to present the financial position and results of operations of the Berkeley Unified School District as a whole, in conformity with accounting principles generally accepted in the United States of America. Measure A of 2006 was approved to support the quality of public education. The funds raised are to be used for reducing class sizes, supporting music programs, parent outreach, program evaluation and teacher training, school libraries, as well as reimbursement of administration costs incurred by the Berkeley Unified School District. The Measure A of 2006 Fund is generated from a separate property tax levy of 22.80 cents per square foot on residential property and 34.36 cents per square foot on commercial property. These rates are adjusted for inflation every year.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements of the Fund are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Using this measurement focus, only current assets and current liabilities are included in the balance sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**BERKELEY UNIFIED SCHOOL DISTRICT
 MEASURE A OF 2006 FUND
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 2 - INVESTMENTS

Investments held on behalf of the Fund of the Berkeley Unified School District consist of deposits in the County of Alameda Treasury were as follows:

	Reported Amount 2008	Fair Value 2008
Deposits with County Treasury	<u>\$ 8,796,736</u>	<u>\$ 8,840,720</u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Interest Rate Risk and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury Pool which have an average maturity of 0.915 years and 0.9 years for the years ended June 30, 2008 and 2007. These pooled deposits are exempt from the rating requirements and accordingly have not been rated.

NOTE 3 – ACCOUNTS RECEIVABLE

Receivables consisted mainly of property taxes receivable from the County of Alameda and interest receivable from the Treasurer aggregating \$1,040,988 as of June 30, 2008.

NOTE 4 – ACCOUNTS PAYABLE

Payables consisted of vendor payables of \$485,000 as of June 30, 2008.



INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

Board of Trustees
Berkeley Unified School District

We have performed the agreed-upon procedures, which were agreed to by the management of the Berkeley Unified School District (the District) to review revenues and expenditures of the Measure A of 2006 (the Measure), also referred to as "Berkeley Schools Excellence Program (A of 2006)" Fund (the Fund), for the year ended June 30, 2008, for the purpose of verifying if the use of Fund proceeds is within the scope of the published election materials specifying the intended use of Measure proceeds. We used the election documents and District resolutions as guidance for the intended use of the Measure proceeds. Management of the District is responsible for the compliance with the election documents and District resolutions. This engagement to perform agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and meets the compliance requirements to perform a "compliance audit". The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Financial Summary

1. The Measure A of 2006 was authorized by an election of the registered voters of the Berkeley Unified School District. Measure A of 2006 was approved to support the quality of public education. The funds raised are to be used for reducing class size, libraries, visual and performing arts programs, teacher training and academic support for the Berkeley Unified School District by collecting taxes of 22.80 cents per square foot on residential property and 34.36 cents per square foot on commercial property. These rates are adjusted for inflation every year.
2. Total proceeds from parcel taxes for Measure A of 2006 were \$20,822,716 for fiscal year ending June 30, 2008.

Agreed Upon Procedures Performed

1. Verify that the expenditures of the Fund were accounted for separately in the accounting records of the District.
2. Verify that the net revenues received from the parcel taxes were deposited in total into the District's Measure A of 2006 Fund.
3. Test expenditures of each Resource ensuring that such expenditures were spent in accordance with the scope of the published election materials specifying the intended use of proceeds for the Fund.
4. Test that not more than 2% of revenues were allocated to Public Information, Planning & Oversight Committee.
5. Test that of the remaining revenues 66%, 10.25%, 6.25%, 7.25%, 1.25% and 9.00% of the revenues have been allocated to Class Size Reduction, School Discretionary Funds, Visual and Performing Arts, School Libraries, Parent Outreach and Translation Services, and Professional Development, Educational Program Evaluation and Technology for Schools for the Measure A of 2006 Fund.

Results of Procedures

1. The Measure A of 2006 Fund expenditures were accounted for separately in Resource Code 0841, 0852, 0853, 0854, 0855, 0856, 0857, 0860 and 0862.
2. All tax collections as well as related interest revenues have been properly accounted for separately in the Measure A of 2006 Resource Codes.
3. Our review did not reveal any items that were paid from the Measure that did not comply with the intended use of the Fund.
4. Initial allocation of Measure A proceeds for use by the Public Information, Planning & Oversight Committee did not exceed the prescribed limit.
5. Measure A of 2006 Funds were deposited and allocated properly in accordance with the approved allocation percentages contained within the Measure.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Trustees and is not intended to be and should not be used by anyone other than those specified parties.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
March 25, 2009